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Co-head of Research
Banny Lam
Tel: 852-21478863
Email: bannylam@abci.com.hk

Analyst
Paul Pan
Tel: 852-21478829
Email: paulpan@abci.com.hk

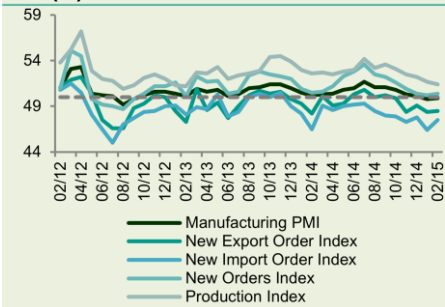
Exhibit 1: China's benchmark interest rates

Lending rate (%)	Previous	Revised
1 year	5.6	5.35
1 year to 5 years	6.00	5.75
Over 5 years	6.15	5.90

Savings rate (%)	Previous	Revised
Demand	0.35	0.35
3 months	2.35	2.10
6 months	2.55	2.30
1 year	2.75	2.50
2 years	3.35	3.10
3 years	4.00	3.75

Source(s): PBOC, ABCI Securities

Exhibit 2: China's February manufacturing PMI (%)



Source(s): NBS, ABCI Securities

China's second rate cut before NPC

PBOC announced the second interest rate cut (first rate cut in November 2014) by further slashing the 1-year lending rate and deposit rate by 25bps to 5.35% and 2.5%, effective March 1, 2015. To further liberalize interest rate, PBOC also introduced the guidelines for financial institutions to offer deposit rates at a maximum of 1.3 times versus the 1.2 times currently in place. The latest rate cut announced before the opening of National People's congress (NPC) indicates weakening economic momentum in China and downside risks of the economy are elevating, as evidenced by the February PMI at 49.9 that signified contraction of manufacturing activities. The two rate cuts, one RRR cut, and different short-term targeted easings deployed in the past 4 months have shown that China is combating faltering growth by lowering cost of capital, injecting liquidity into the economy, and stimulating demand for loans.

Keeping real interest rates at suitable level to boost investment and consumption. The focus of the interest rate cut is to keep real interest rate levels in line with the fundamental trends in economic growth, inflation and unemployment. More recently, PBOC has injected fresh cash through a number of monetary tools. However, new loans and aggregate financing to the real economy have not shown solid rebound, and economic momentum continues to weaken. As China fears that domestic economy is deteriorating more sharply than expected, further rate cut is needed to spur economic growth. The reduction of real interest rates would reduce the cost of capital, lowering financial costs of enterprises and propelling economic activities.

Rate cut before the opening of NPC to stabilize economy. The interest rate cut that came before the opening of NPC in the first week of March aims to provide a degree of support to the slowing economy. We believe the Chinese government may roll out more pro-growth policies during NPC this year. We expect monetary and fiscal stimulus measures will be launched in line with the growth targets set during the congress this year.

Further interest rate liberalization in 2015. PBOC's move to lift the ceiling for the floating range for the saving rate to 1.3 times the benchmark rate conveys that China is stepping up to liberalize interest rate, aligning deposit rates with market conditions and spurring greater activities in China's capital and financial markets. Though full liberalization of deposit rates is yet to be achieved, we believe PBOC will launch the deposit insurance in 2015 and liberalize interest rate fully in the future.

More rate and RRR cuts amid heightening deflation risks. The risks of deflation are ascending in China with continuous downturn in property sector and widespread overcapacity in industries. The abating momentum calls for a lower interest rate to lessen financial burden and support economic reforms. Given the moderating trend in inflation and the mounting pressure to expand liquidity, we expect PBOC to assume an accommodative approach to pursue more stimulus measures and inject more liquidity through different monetary tools in the remainder of 2015. More specifically, we believe PBOC will launch the second RRR cut in 2Q15.



China Economic Indicators

	2013		2014												2015
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Real GDP (YoY%)	---	7.7	---	---	7.4	---	---	7.5	---	---	7.3	---	---	7.3	---
Export Growth (YoY%)	12.7	5.8	10.6	(18.1)	(6.6)	0.9	7.0	7.2	14.5	9.4	15.3	11.6	4.7	9.7	(3.3)
Import Growth (YoY%)	5.3	6.5	10.0	10.1	(11.3)	0.8	(1.6)	5.5	(1.6)	(2.4)	7.0	4.6	(6.7)	(2.4)	(19.9)
Trade Balance (USD/bn)	33.8	32.3	31.9	(23.0)	7.7	18.5	35.9	31.6	47.3	49.8	30.9	45.4	54.5	49.6	60.0
Retail Sales Growth (YoY%)	13.7	13.6		11.8	12.2	11.9	12.5	12.4	12.2	11.9	11.6	11.5	11.7	11.9	N/A
Industrial Production (YoY%)	10.0	9.7		8.6	8.8	8.7	8.8	9.2	9.0	6.9	8.0	7.7	7.2	7.9	N/A
PMI - Manufacturing (%)	51.4	51.0	50.5	50.2	50.3	50.4	50.8	51.0	51.7	51.1	51.1	50.8	50.3	50.1	49.8
PMI - Non-manufacturing (%)	56.0	54.6	53.4	55.0	54.5	54.8	55.5	55.0	54.2	54.4	54.0	53.8	53.9	54.1	53.7
FAI(YTD) (YoY%)	19.9	19.6		17.9	17.6	17.3	17.2	17.3	17.0	16.5	16.1	15.9	15.8	15.7	N/A
CPI (YoY%)	3.0	2.5	2.5	2.0	2.4	1.8	2.5	2.3	2.3	2.0	1.6	1.6	1.4	1.5	0.8
PPI (YoY%)	(1.4)	(1.4)	(1.6)	(2.0)	(2.3)	(2.0)	(1.4)	(1.1)	(0.9)	(1.2)	(1.8)	(2.2)	(2.7)	(3.3)	(4.3)
M2(YoY%)	14.2	13.6	13.2	13.3	12.1	13.2	13.4	14.7	13.5	12.8	12.9	12.6	12.3	12.2	10.8
New Lending (RMB/bn)	624.6	482.5	1,320	644.5	1,050	774.7	870.8	1,080	385.2	702.5	857.2	548.3	852.7	697.3	1,470.0
Aggregate Financing (RMB bn)	1,226.9	1,232.2	2,580	938.7	2,081.3	1,550	1,400	1,970	273.7	957.7	1,135.5	662.7	1,146.3	1,690.0	2,050.0

World Economic/Financial Indicators

Equity Indices				Global Commodities				Bond Yields & Key Rates			
	Closing price	Chg. WTD (%)	P/E	Unit	Price	Chg. WTD (%)	Volume (5-day avg.)		Yield (%)	Chg. WTD (Bps)	
U.S.				Energy				US Fed Fund Rate			
DJIA	18,132.70	0.00	16.44	NYMEX WTI	USD/bbl	49.37	(0.78)	405,094		0.25	0.00
S&P 500	2,104.50	0.00	18.74	ICE Brent Oil	USD/bbl	62.23	(0.56)	262,055	US Prime Rate	3.25	0.00
NASDAQ	4,963.53	0.00	31.68	NYMEX Natural Gas	USD/MMBtu	2.70	(1.32)	79,888	US Discount Window	0.75	0.00
MSCI US	2,013.91	0.00	19.22	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	61.80	N/A	N/A	US Treasury (1 Yr)	0.1878	0.00
Europe				Basic Metals				US Treasury (5Yr)			
FTSE 100	6,946.66	0.00	23.30	LME Aluminum Cash	USD/MT	1,801.75	0.00	21,285	US Treasury (10 Yr)	2.0034	1.04
DAX	11,401.66	0.00	19.09	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,815.00	0.00	29,672	Japan 10-Yr Gov. Bond	0.3440	0.90
CAC40	4,951.48	0.00	23.90	CMX Copper Active	USD/lb.	5,918.00	0.00	12,193	China 10-Yr Gov. Bond	3.3700	1.00
IBEX 35	11,178.30	0.00	21.13	LME Copper 3- mth Rolling Fwd.	USD/MT	5,895.00	0.00	45,732	ECB Rate (Refinancing)	0.05	0.00
FTSE MIB	22,337.79	0.00	67.37	Precious Metals				1-Month LIBOR			
Stoxx 600	392.21	0.00	23.79	CMX Gold	USD/T. oz	1,221.20	0.67	116,513	3 Month LIBOR	0.2619	(0.08)
MSCI UK	2,040.60	0.00	23.27	CMX Silver	USD/T. oz	16.75	1.16	30,237	O/N SHIBOR	3.4530	13.50
MSCI France	139.29	0.00	25.16	NYMEX Platinum	USD/T. oz	1,190.60	0.42	10,067	1-mth SHIBOR	5.0690	(1.42)
Asia				Agricultural Products				3-mth HIBOR			
NIKKEI 225	18,850.57	0.28	21.44	CBOT Corn	USD/bu	392.25	(0.25)	181,359	Corporate Bonds (Moody's)		
S&P/ASX 200	5,965.40	0.62	22.22	CBOT Wheat	USD/bu	515.75	0.54	60,342	Aaa	3.64	(14.0)
HSI	24,885.35	0.25	10.39	NYB-ICE Sugar	USD/lb.	13.77	0.00	73,757	Baa	4.47	(16.0)
HSCEI	12,259.67	0.61	8.64	CBOT Soybeans	USD/bu.	1,032.75	0.10	139,631			
CSI300	3,589.70	0.47	15.80								
SSE Composite	3,319.92	0.29	15.99								
SZSE Composite	1,653.99	1.47	39.87								
MSCI China	69.85	0.00	10.53								
MSCI Hong Kong	13,121.22	0.00	10.06								
MSCI Japan	939.07	0.00	17.14								

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-mth Spot pr.
Spot Rate	1.1177	1.5400	0.7771	119.84	0.9549	6.2754	7.7556	6.4195
Chg. WTD (%)	(0.17)	(0.25)	(0.47)	(0.18)	(0.06)	(0.10)	(0.00)	(0.07)

Note:

- Data sources: Bloomberg, National Bureau of Statistics of China, ABCIS (updated on date of report)
- Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey



Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2009-2013

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq 180$ day volatility/180 day benchmark index volatility
High	$1.5 \leq 180$ day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq 180$ day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.**

Tel: (852) 2868 2183